

**Chunghwa Telecom Co., Ltd. and
Subsidiaries**

**Consolidated Financial Statements for the
Three Months Ended March 31, 2021 and 2020**

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Millions of New Taiwan Dollars)

ASSETS	March 31, 2021 (Unaudited)		December 31, 2020 (Audited)		March 31, 2020 (Unaudited)		LIABILITIES AND EQUITY	March 31, 2021 (Unaudited)		December 31, 2020 (Audited)		March 31, 2020 (Unaudited)	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
CURRENT ASSETS							CURRENT LIABILITIES						
Cash and cash equivalents	\$ 30,044	7	\$ 30,420	6	\$ 16,570	3	Short-term loans	\$ 60	-	\$ 67	-	\$ 70	-
Financial assets at fair value through profit or loss	8	-	10	-	7	-	Short-term bills payable	4,999	1	6,999	1	19,966	4
Hedging financial assets	-	-	2	-	-	-	Financial liabilities at fair value through profit or loss	4	-	-	-	1	-
Contract assets	5,247	1	5,331	1	4,467	1	Hedging financial liabilities	2	-	-	-	-	-
Trade notes and accounts receivable, net	21,391	4	22,622	5	23,401	5	Contract liabilities	13,265	4	13,437	3	17,163	4
Receivables from related parties	34	-	230	-	10	-	Trade notes and accounts payable	9,690	2	15,591	3	11,890	2
Inventories	12,349	2	12,409	3	17,775	4	Payables to related parties	325	-	646	-	338	-
Prepayments	5,487	1	2,306	-	5,103	1	Current tax liabilities	8,718	2	6,157	1	8,335	2
Other current monetary assets	11,620	2	6,124	1	6,159	1	Lease liabilities	3,297	1	3,382	1	3,395	1
Other current assets	2,233	-	2,349	-	1,876	-	Other payables	22,596	4	23,988	5	19,654	4
							Provisions	326	-	314	-	200	-
Total current assets	88,413	17	81,803	16	75,368	15	Current portion of long-term loans	1,600	-	1,600	-	-	-
							Other current liabilities	957	-	1,042	-	973	-
NONCURRENT ASSETS							Total current liabilities	65,839	14	73,223	14	81,985	17
Financial assets at fair value through profit or loss	817	-	677	-	767	-	NONCURRENT LIABILITIES						
Financial assets at fair value through other comprehensive income	3,650	1	7,193	1	5,903	1	Long-term loans	-	-	-	-	1,600	-
Investments accounted for using equity method	6,994	2	6,695	1	7,141	1	Bonds payable	19,981	4	19,980	4	-	-
Contract assets	2,487	-	2,495	-	2,567	1	Contract liabilities	7,216	1	7,289	2	6,668	1
Property, plant and equipment	280,151	55	281,416	56	279,867	56	Deferred income taxes liabilities	2,018	-	1,967	-	1,928	1
Right-of-use assets	10,765	2	11,009	2	11,494	2	Provisions	104	-	101	-	100	-
Investment properties	9,611	2	9,621	2	8,164	2	Lease liabilities	6,022	1	6,215	1	6,425	1
Intangible assets	88,664	18	90,285	19	94,408	19	Customers' deposits	4,732	1	4,827	1	4,602	1
Deferred income tax assets	3,074	1	3,133	1	3,262	1	Net defined benefit liabilities	3,420	1	3,415	1	3,539	1
Incremental costs of obtaining contracts	962	-	1,000	-	930	-	Other noncurrent liabilities	1,986	-	1,890	-	1,685	-
Net defined benefit assets	3,577	1	3,373	1	2,204	-	Total noncurrent liabilities	45,479	8	45,684	9	26,547	5
Prepayments	2,145	-	2,214	-	2,612	1	Total liabilities	111,318	22	118,907	23	108,532	22
Other noncurrent assets	4,990	1	5,266	1	4,992	1	EQUITY ATTRIBUTABLE TO STOCKHOLDERS OF THE PARENT						
Total noncurrent assets	417,887	83	424,377	84	424,311	85	Common stocks	77,574	15	77,574	15	77,574	16
							Additional paid-in capital	149,806	30	149,790	30	149,786	29
							Retained earnings						
							Legal reserve	77,574	15	77,574	15	77,574	16
							Special reserve	2,676	1	2,676	1	2,676	1
							Unappropriated earnings	76,007	15	67,574	13	73,834	14
							Total retained earnings	156,257	31	147,824	29	154,084	31
							Others	(152)	-	927	-	(709)	-
							Total equity attributable to stockholders of the parent	383,485	76	376,115	74	380,735	76
							NONCONTROLLING INTERESTS	11,497	2	11,158	3	10,412	2
							Total equity	394,982	78	387,273	77	391,147	78
TOTAL	\$ 506,300	100	\$ 506,180	100	\$ 499,679	100	TOTAL	\$ 506,300	100	\$ 506,180	100	\$ 499,679	100

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Millions of New Taiwan Dollars, Except Earnings Per Share) (Unaudited)

	Three Months Ended March 31			
	2021		2020	
	Amount	%	Amount	%
REVENUES	\$ 50,101	100	\$ 48,150	100
OPERATING COSTS	<u>31,893</u>	<u>64</u>	<u>30,391</u>	<u>63</u>
GROSS PROFIT	<u>18,208</u>	<u>36</u>	<u>17,759</u>	<u>37</u>
OPERATING EXPENSES				
Marketing	4,885	9	5,073	10
General and administrative	1,303	3	1,213	3
Research and development	875	2	936	2
Expected credit loss	<u>44</u>	<u>-</u>	<u>6</u>	<u>-</u>
Total operating expenses	<u>7,107</u>	<u>14</u>	<u>7,228</u>	<u>15</u>
OTHER INCOME AND EXPENSES	<u>3</u>	<u>-</u>	<u>(1)</u>	<u>-</u>
INCOME FROM OPERATIONS	<u>11,104</u>	<u>22</u>	<u>10,530</u>	<u>22</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	18	-	39	-
Other income	42	-	43	-
Other gains and losses	164	-	39	-
Interest expenses	(51)	-	(42)	-
Share of profits of associates and joint ventures accounted for using equity method	<u>40</u>	<u>-</u>	<u>35</u>	<u>-</u>
Total non-operating income and expenses	<u>213</u>	<u>-</u>	<u>114</u>	<u>-</u>
INCOME BEFORE INCOME TAX	11,317	22	10,644	22
INCOME TAX EXPENSE	<u>2,679</u>	<u>5</u>	<u>2,544</u>	<u>5</u>
NET INCOME	<u>8,638</u>	<u>17</u>	<u>8,100</u>	<u>17</u>
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss:				
Unrealized gain or loss on investments in equity instruments at fair value through other comprehensive income	(945)	(2)	(1,286)	(3)
Gain or loss on hedging instruments subject to basis adjustment	(4)	-	-	-

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CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Millions of New Taiwan Dollars, Except Earnings Per Share)

(Unaudited)

	Three Months Ended March 31			
	2021		2020	
	Amount	%	Amount	%
Share of remeasurements of defined benefit pension plans of associates and joint ventures	\$ <u>1</u> <u>(948)</u>	<u>-</u> <u>(2)</u>	\$ <u>-</u> <u>(1,286)</u>	<u>-</u> <u>(3)</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising from the translation of the foreign operations	(37)	-	(12)	-
Share of exchange differences arising from the translation of the foreign operations of associates and joint ventures	<u>-</u> <u>(37)</u>	<u>-</u> <u>-</u>	<u>-</u> <u>(12)</u>	<u>-</u> <u>-</u>
Total other comprehensive loss, net of income tax	<u>(985)</u>	<u>(2)</u>	<u>(1,298)</u>	<u>(3)</u>
TOTAL COMPREHENSIVE INCOME	\$ <u>7,653</u>	<u>15</u>	\$ <u>6,802</u>	<u>14</u>
NET INCOME ATTRIBUTABLE TO				
Stockholders of the parent	\$ 8,338	17	\$ 7,850	16
Noncontrolling interests	<u>300</u>	<u>-</u>	<u>250</u>	<u>1</u>
	<u>\$ 8,638</u>	<u>17</u>	<u>\$ 8,100</u>	<u>17</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO				
Stockholders of the parent	\$ 7,354	15	\$ 6,554	13
Noncontrolling interests	<u>299</u>	<u>-</u>	<u>248</u>	<u>1</u>
	<u>\$ 7,653</u>	<u>15</u>	<u>\$ 6,802</u>	<u>14</u>
EARNINGS PER SHARE				
Basic	<u>\$1.07</u>		<u>\$1.01</u>	
Diluted	<u>\$1.07</u>		<u>\$1.01</u>	

(Concluded)

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Millions of New Taiwan Dollars)

(Unaudited)

	Equity Attributable to Stockholders of the Parent						Others						
	Common Stocks	Additional Paid-in Capital	Legal Reserve	Retained Earnings			Exchange Differences Arising from the Translation of the Foreign Operations	Unrealized Gain or Loss on Financial Assets at FVOCI	Gain or Loss on Hedging Instruments	Total Others	Total Equity Attributable to Stockholders of the Parent	Noncontrolling Interests	Total Equity
				Special Reserve	Unappropriated Earnings	Total Retained Earnings							
BALANCE, JANUARY 1, 2020	\$ 77,574	\$ 149,762	\$ 77,574	\$ 2,676	\$ 65,984	\$ 146,234	\$ (148)	\$ 735	\$ -	\$ 587	\$ 374,157	\$ 10,115	\$ 384,272
Net income for the three months ended March 31, 2020	-	-	-	-	7,850	7,850	-	-	-	-	7,850	250	8,100
Other comprehensive loss for the three months ended March 31, 2020	-	-	-	-	-	-	(13)	(1,283)	-	(1,296)	(1,296)	(2)	(1,298)
Total comprehensive income (loss) for the three months ended March 31, 2020	-	-	-	-	7,850	7,850	(13)	(1,283)	-	(1,296)	6,554	248	6,802
Share-based payment transactions of subsidiaries	-	24	-	-	-	-	-	-	-	-	24	49	73
BALANCE, MARCH 31, 2020	\$ 77,574	\$ 149,786	\$ 77,574	\$ 2,676	\$ 73,834	\$ 154,084	\$ (161)	\$ (548)	\$ -	\$ (709)	\$ 380,735	\$ 10,412	\$ 391,147
BALANCE, JANUARY 1, 2021	\$ 77,574	\$ 149,790	\$ 77,574	\$ 2,676	\$ 67,574	\$ 147,824	\$ (315)	\$ 1,240	\$ 2	\$ 927	\$ 376,115	\$ 11,158	\$ 387,273
Net income for the three months ended March 31, 2021	-	-	-	-	8,338	8,338	-	-	-	-	8,338	300	8,638
Other comprehensive income (loss) for the three months ended March 31, 2021	-	-	-	-	1	1	(35)	(946)	(4)	(985)	(984)	(1)	(985)
Total comprehensive income (loss) for the three months ended March 31, 2021	-	-	-	-	8,339	8,339	(35)	(946)	(4)	(985)	7,354	299	7,653
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	94	94	-	(94)	-	(94)	-	-	-
Share-based payment transactions of subsidiaries	-	16	-	-	-	-	-	-	-	-	16	40	56
BALANCE, MARCH 31, 2021	\$ 77,574	\$ 149,806	\$ 77,574	\$ 2,676	\$ 76,007	\$ 156,257	\$ (350)	\$ 200	\$ (2)	\$ (152)	\$ 383,485	\$ 11,497	\$ 394,982

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Millions of New Taiwan Dollars)

(Unaudited)

	Three Months Ended March 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 11,317	\$ 10,644
Adjustments to reconcile income before income tax to net cash provided by operating activities:		
Depreciation	7,848	7,759
Amortization	1,641	1,059
Amortization of incremental costs of obtaining contracts	195	197
Expected credit loss	44	6
Interest expenses	51	42
Interest income	(18)	(39)
Compensation cost of share-based payment transactions	4	2
Share of profits of associates and joint ventures accounted for using equity method	(40)	(35)
Loss (gain) on disposal of property, plant and equipment	(3)	1
Loss on disposal of financial instruments	-	2
Loss on disposal of investments accounted for by using equity method	-	6
Provision for impairment loss and obsolescence of inventory	33	24
Valuation loss (gain) on financial assets and liabilities at fair value through profit or loss, net	(133)	12
Others	(50)	(51)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Contract assets	92	8
Trade notes and accounts receivable	1,220	3,042
Receivables from related parties	196	7
Inventories	27	(454)
Prepayments	(3,112)	(3,153)
Other current monetary assets	(147)	122
Other current assets	116	554
Incremental cost of obtaining contracts	(157)	(184)
Increase (decrease) in:		
Contract liabilities	(245)	150
Trade notes and accounts payable	(5,901)	(3,423)
Payables to related parties	(321)	(316)
Other payables	(2,490)	(2,523)
Provisions	15	(5)
Other current liabilities	(77)	(6)
Net defined benefit plans	(199)	(42)
Cash generated from operations	9,906	13,406
Interest paid	(23)	(77)
Income tax paid	(8)	(8)
Net cash provided by operating activities	<u>9,875</u>	<u>13,321</u>

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CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Millions of New Taiwan Dollars)

(Unaudited)

	Three Months Ended March 31	
	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	\$ (38)	\$ (35)
Proceeds from disposal of financial assets at fair value through other comprehensive income	2,906	-
Acquisition of financial assets at fair value through profit or loss	(9)	(39)
Proceeds from disposal of financial assets at fair value through profit or loss	10	30
Acquisition of time deposits and negotiable certificates of deposit with maturities of more than three months	(7,726)	(1,392)
Proceeds from disposal of time deposits and negotiable certificates of deposit with maturities of more than three months	1,998	2,616
Acquisition of investments accounted for using equity method	(274)	-
Acquisition of property, plant and equipment	(4,443)	(3,729)
Proceeds from disposal of property, plant and equipment	6	14
Acquisition of intangible assets	(20)	(47,420)
Decrease in other noncurrent assets	214	70
Interest received	17	46
Dividends received	<u>103</u>	<u>-</u>
Net cash used in investing activities	<u>(7,256)</u>	<u>(49,839)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans	63	70
Repayments of short-term loans	(70)	(90)
Proceeds from short-term bills payable	5,000	29,000
Repayments of short-term bills payable	(7,000)	(9,000)
Decrease in customers' deposits	(103)	(150)
Payments for the principal of lease liabilities	(1,019)	(992)
Increase in other noncurrent liabilities	95	142
Change in other noncontrolling interests	<u>53</u>	<u>72</u>
Net cash provided by (used in) financing activities	<u>(2,981)</u>	<u>19,052</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(14)</u>	<u>(14)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(376)	(17,480)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>30,420</u>	<u>34,050</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 30,044</u>	<u>\$ 16,570</u>

(Concluded)

CHUNGHWA TELECOM CO., LTD. AND SUBSIDIARIES

NOTE TO CONSOLIDATED FINANCIAL STATEMENTS

Three Months Ended March 31, 2021 and 2020

(Unaudited)

STATEMENT OF COMPLIANCE

The Company has prepared its consolidated balance sheets as of March 31, 2021 and 2020, the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2021 and 2020 in accordance with IAS 34 “Interim Financial Reporting” as issued by the International Accounting Standard Board (IASB). The consolidated financial statements are incomplete as they omit the related footnote disclosures as required under International Financial Reporting Standards as issued by IASB.